

Aliabbas Bhamani
10 South Colonnade
Canary Wharf
London
E14 4PU

26 June 2023

Dear Aliabbas,

Consultation on the Early-Stage Assessment for Anticipatory Investment.

We welcome the opportunity to respond to the consultation on the Early-Stage Assessment for Anticipatory Investment. At SSEN Transmission¹ we are committed to delivering a network for net zero. We are aligned with the objectives of the Offshore Transmission Network Review (OTNR) Pathways to 2030 (PT2030) workstream and will do our part to support the connection of 50GW by the early 2030s, a crucial step in delivering a decarbonised energy system by 2035. We therefore welcome the intent of the proposals being consulted on in so far as they support that same outcome by de-risking the delivery of the Holistic Network Design (HND).

The HND is an essential component of delivering Government targets in both the near and long term. In our previous OTNR PT2030 consultation responses, we set out our view that the only way to deliver the HND in a timely and cost-effective manner is with a Transmission Owner (TO) led delivery model for all non-radial offshore infrastructure. In March this year Ofgem confirmed its approach to HND delivery models, including the use of very-late competition developer-build and OFTO-operate, and late-competition OFTO-build models for non-radial offshore transmission assets, to which this consultation pertains. We remain concerned that the risks posed by that delivery model decision, as highlighted in our response to that consultation, have not been fully addressed.

We recognise, however, the need to progress without delay and at pace. Within that context we welcome policy developments that de-risk some of the issues that we have previously highlighted and are therefore supportive of the intent of proposals set out in this consultation. We agree with Ofgem that the proposals will, in principle, enable developers to make Anticipatory Investment (AI) to support coordination.

As a TO we are an active participant in the delivery of the HND and as set out in our previous consultation responses, coordination is essential to delivery. Over the past few months, we have therefore been proactively engaging with other relevant delivery parties to home in on a detailed network design for those assets which have been allocated as onshore transmission for regulatory purposes. We have sought feedback from those other delivery parties to help inform this response.

Whilst we welcome their intent, the proposals fall short, in some areas, of what we would expect in terms of detail of how the Anticipatory Investment mechanism will work in practice. In particular, we would expect further clarity on the following:

- **The distribution of AI where there are more than two users.** Whilst we agree that the initial user should take responsibility for the ESA application, it is essential that later users are active participants in the process

¹ We are SSEN Transmission, the trading name for Scottish Hydro Electric Transmission. Following a minority stake sale which completed in November 2022, we are now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board

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to ensure full buy-in and efficient transfer of responsibilities should the initial user delay or fall away. Where there are several delivery bodies working together this adds to the complexity of delivery, including working arrangements and contractual arrangements to do so, such as information sharing.

- **The transfer of responsibility if the initial user is delayed or falls away.** The initial user as the lead developer may have made significant progression to the point at which responsibility transferred. Stages of project development are complex, and it may be that certain areas – such as consents, connection agreements, contracting arrangement - cannot simply be transferred to another party. The practicalities of transferring ownership are complex and need to be explored further.

We are concerned that the lack of clarity may impair the ability of the non-radial delivery bodies to work together, with resulting delays to HND delivery. We are also concerned of the knock-on impact on us as the delivery body for those HND assets classified as “onshore transmission”. In order to deliver a coordinated solution, we need certainty; we need to know who we are working with, who we need to engage with, and who we need to contract with.

As we have already highlighted, there are several wider risks to HND delivery that remain unaddressed. Over the past few months, we have proactively engaged with Ofgem and the Department for Energy Security & Net Zero (DESNZ) on what we think it needed in order to enable HND delivery.

- Successful development and delivery of the offshore network requires clear position on standards, liabilities, commercial arrangements and information exchange. A ‘good faith’ approach is not possible, and a legal framework is a pre-requisite to the detailed network design and securing supply chain.
- A bespoke Offshore HVDC grid framework is not yet in place. Adopting the ‘onshore’ framework ‘offshore’ is a first step to unblock this and initiate progress. This begins with our onshore transmission classified assets as the backbone of the offshore grid.
- We should utilise existing codes, frameworks, standards, and processes for onshore. We should treat other infrastructure as connections to our onshore transmission assets, with the ESO sponsoring the limited changes required to implement this.
- If required, we suggest an open letter to all HND delivery bodies clarifying its positions on the above.

We look forward to continued engagement with Ofgem on HND delivery and would welcome discussion on any of the points raised in this response.

Yours sincerely,

Andrew Ferrimore
Regulation Manager